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THE WHITE HOUSE

WASHINGTON

April 17, 1984

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Enrolled Bill S. 1186 -- Restoration of Coastal Trading Privileges for Two Vessels

Richard Darman has asked for comments by close of business April 18 on the above-referenced enrolled bill. This private relief bill would waive certain restrictions of the Jones Act for two vessels, Dad's Pad and Zorba. The Jones Act provides in pertinent part that coastwise trade can only be conducted by ships built in the United States and always owned by U.S. citizens. 46 U.S.C. § 883. Dad's Pad and Zorba were both built in the United States and are now owned by U.S. citizens, but both fell into the hands of aliens at some point in the past and accordingly lost coastwise trading rights. This bill directs that Dad's Pad and Zorba be granted such rights despite 46 U.S.C. § 883, if they comply with all other legal requirements.

The bill passed both Houses by voice vote; OMB recommends approval and Transportation has no objection. The bill erroneously cites 46 U.S.C. § 883 as 46 App. U.S.C. 883, but I do not see this as a problem since the provision is also correctly cited as section 27 of the Merchant Marine Act of 1920. Also, there is no 46 App. U.S.C. 883, so the intended reference will be clear. I have reviewed the memorandum for the President prepared by OMB Assistant Director for Legislative Reference James M. Frey, and the bill itself, and have no objections.

Attachment

THE WHITE HOUSE

WASHINGTON

April 17, 1984

MEMORANDUM FOR RICHARD G. DARMAN  
ASSISTANT TO THE PRESIDENT  
Orig. signed by FFF

FROM: FRED F. FIELDING  
COUNSEL TO THE PRESIDENT

SUBJECT: Enrolled Bill S. 1186 -- Restoration of  
Coastal Trading Privileges for Two Vessels

Counsel's Office has reviewed the above-referenced enrolled bill, and finds no objection to it from a legal perspective.

FFF:JGR:aea 4/17/84 ✓  
cc: FFFielding/JGRoberts/Subj/Chron

*Note: "46 App. USC § 883" should be  
"46 USC § 883", but the citation  
to § 27 of the Merchant Marine Act is  
accurate, so I think it will  
survive. FFF*

THE WHITE HOUSE

WASHINGTON

April 17, 1984

MEMORANDUM FOR RICHARD G. DARMAN  
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING  
COUNSEL TO THE PRESIDENT

SUBJECT: Enrolled Bill S. 1186 -- Restoration of  
Coastal Trading Privileges for Two Vessels

Counsel's Office has reviewed the above-referenced enrolled bill, and finds no objection to it from a legal perspective.

FFF:JGR:aea 4/17/84

cc: FFFielding/JGRoberts/Subj/Chron

## WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 1/1

Name of Correspondent: Richard Dauman

MI Mail Report      User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: Enrolled Bill S. 1186 - Restoration of Coastal Trading Privileges for two Vessels

ROUTE TO:	ACTION	DISPOSITION
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD
<u>CUHOU</u>	ORIGINATOR	<u>84 04 16</u>
<u>CUAT 18</u>	Referral Note: <u>D</u>	<u>84 04 16</u>
	Referral Note:	<u>584 04 18</u>
	Referral Note:	<u>C.O.B.</u>
	Referral Note:	<u>1 1</u>
	Referral Note:	<u>1 1</u>
	Referral Note:	<u>1 1</u>

- ACTION CODES:**
- A - Appropriate Action
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  - D - Draft Response
  - F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

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  - S - Suspended

**FOR OUTGOING CORRESPONDENCE:**  
 Type of Response = Initials of Signer  
 Code = "A"  
 Completion Date = Date of Outgoing

Comments: \_\_\_\_\_

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 Always return completed correspondence record to Central Files.  
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

## WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/16/84 ACTION/CONCURRENCE/COMMENT DUE BY: cob WEDNESDAY, 4/18/84

SUBJECT: ENROLLED BILL S. 1186 - Restoration of Coastal Trading Privileges for  
Two Vessels

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	McFARLANE	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McMANUS	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
JENKINS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

**REMARKS:**

Please provide any comments/recommendations on the attached enrolled bill by c.o.b. WEDNESDAY, 4/18/84.

Thank you.

**RESPONSE:**

1984 APR 16 PM 4: 40

Richard G. Darman  
Assistant to the President  
Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

APR 16 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 1186 - Restoration of Coastal Trading  
Privileges for Two Vessels  
Sponsor - Sen. Rudman (R) New Hampshire

Last Day for Action

Purpose

Restores coastal trading privileges for the vessels Dad's Pad and Zorba.

Agency Recommendations

Office of Management and Budget

Approval

Department of Transportation

No objection (Initials)

Discussion

Current law, known as the Jones Act, generally requires that vessels operating in trades between U.S. ports must be built in the United States and owned at all times by U.S. citizens. The vessels Dad's Pad and Zorba were both built in the United States and are now owned by U.S. citizens; however, both were owned at one time by non-U.S. citizens. Thus, these vessels lost their coastal trading privileges.

S. 1186 overrides the otherwise applicable restrictions of the Jones Act to allow Dad's Pad and Zorba to operate in the coastal trades, despite the fact that they were once owned by non-U.S. citizens. The vessels will be subject to normal safety, inspectional, and other requirements that apply to U.S. vessels engaged in coastal trades. According to the report of the House Committee on Merchant Marine and Fisheries, the owners of both vessels intend to use the vessels in the charter and fishing trades.

The enrolled bill passed both Houses by voice vote.

J. H. Gray  
Assistant Director for  
Legislative Reference

Enclosures

THE WHITE HOUSE

WASHINGTON

April 17, 1984

MEMORANDUM FOR FRED F. FIELDING

FROM: JOHN G. ROBERTS *JGR*

SUBJECT: Enrolled Bill H.R. 4169 -- Omnibus  
Budget Reconciliation Act of 1983

Richard Darman has asked for comments on the above-referenced enrolled bill by close of business today. This bill has one major desirable provision and several undesirable ones. The desirable provision, sought by the Administration, delays the May 1984 cost-of-living adjustment (COLA) for Federal civilian and military retirees to December, and makes December the effective date for future COLAs. The undesirable aspects of the bill include provisions increasing the 3.5 percent pay raise for Federal employees to 4 percent, retroactive to January 1, 1984, lowering Small Business Administration (SBA) disaster loan rates and making farm enterprises eligible for them, and reauthorizing the SBA non-physical disaster loan program, for businesses adversely affected by such "disasters" as the Payment-in-Kind (PIK) program or the Mexican peso devaluation. The bill also requires the President to convene a domestic economic summit conference on the deficit with Congressional leaders, and requires that the summit conference report, within 45 days, a comprehensive plan to reduce the deficits.

SBA recommends a veto, arguing that the expansion in SBA loan programs will result in a dramatic increase in demand for SBA loans, and that Congress is likely to appropriate funds to cover the demand. Agriculture and Treasury share SBA's concerns but do not go so far as to recommend disapproval. OPM opposes the new pay raises but recommends approval to obtain the COLA savings. OMB, Defense, and CIA also recommend approval; State and Justice have no objections.

OMB has submitted a draft signing statement, noting that the COLA shift is a key part of the deficit reduction downpayment. The statement objects to the pay raise as unnecessary, and argues that the provision requiring a domestic economic summit -- drafted last year -- is "obsolete" and that such a summit should be regarded as already having taken place. Finally, the statement objects to the SBA provisions as unacceptably costly, urges SBA to control costs through regulations, and notes that Congressional action may be necessary to modify these provisions.



In this bill Congress is forcing the Administration to swallow quite a bit to obtain the COLA deficit reductions. The question is whether the savings from the COLA shift outweigh the costs of the additional pay raise and the SBA expansion, and I have no reason to second-guess OMB's conclusion that, on balance, the bill saves money. Congressional leaders may object to the President's view that the section requiring a domestic economic summit is moot, although the provision is unlikely to create legal problems. No one other than the Congressional leaders would have standing to insist that such a summit be held, and even if the leadership does so it would be a simple matter to comply with the letter of the statute. The summit conferees will not, of course, be able to agree on the required report within 45 days, but blame for failure to achieve this objective can hardly be placed on the President alone. In sum, I have no legal objections, and see no reason for our office to enter the policy debate.

Attachment

THE WHITE HOUSE

WASHINGTON

April 17, 1984

MEMORANDUM FOR RICHARD G. DARMAN  
ASSISTANT TO THE PRESIDENT  
Orig. signed by FFF  
FROM: FRED F. FIELDING  
COUNSEL TO THE PRESIDENT  
SUBJECT: Enrolled Bill H.R. 4169 -- Omnibus  
Budget Reconciliation Act of 1983

Counsel's Office has reviewed the above-referenced enrolled bill, and finds no objection to it from a legal perspective.

FFF:JGR:aea 4/17/84 ✓  
cc: FFFielding/JGRoberts/Subj/Chron

THE WHITE HOUSE

WASHINGTON

April 17, 1984

MEMORANDUM FOR RICHARD G. DARMAN  
ASSISTANT TO THE PRESIDENT

FROM: FRED F. FIELDING  
COUNSEL TO THE PRESIDENT

SUBJECT: Enrolled Bill H.R. 4169 -- Omnibus  
Budget Reconciliation Act of 1983

Counsel's Office has reviewed the above-referenced enrolled bill, and finds no objection to it from a legal perspective.

FFF:JGR:aea 4/17/84

cc: FFFielding/JGRoberts/Subj/Chron

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- O - OUTGOING
- H - INTERNAL
- I - INCOMING  
Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Richard Bauman

- MI Mail Report      User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: Enrolled Bill H.R. 4169 - Omnibus Budget Reconciliation Act of 1983.

ROUTE TO:	ACTION	Tracking Date	Disposition
Office/Agency (Staff Name)	Action Code	YY/MM/DD	Type of Response Code Completion Date YY/MM/DD
<u>CUH02L</u>	ORIGINATOR	<u>84 04 17</u>	_____ <u>1 1</u>
<u>CUAT 18</u>	Referral Note: <u>D</u>	<u>84 04 17</u>	<u>584 04 17</u> <u>C.O.B.</u>
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## WHITE HOUSE STAFFING MEMORANDUM

DATE: 4/17/84 ACTION/CONCURRENCE/COMMENT DUE BY: c.o.b. tonight

SUBJECT: ENROLLED BILL H.R. 4169 - OMNIBUS BUDGET RECONCILIATION ACT OF 1983

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McMANUS	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	ROGERS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
JENKINS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

**REMARKS:**

May we have your comments on the attached Enrolled Bill and suggested signing statement by close of business today.

Do you recommend approval \_\_\_\_\_ or disapproval \_\_\_\_\_

**RESPONSE:**

Richard G. Darman  
Assistant to the President  
Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

Received  
1984 APR 17 AM 10:39

APR 17 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 4169 - Omnibus Budget Reconciliation Act of 1983  
Sponsor - Rep. Jones (D) Oklahoma

Last Day for Action

April 23, 1984 - Monday. Recommend action as soon as possible, as explained below.

Purpose

Provides for reconciliation pursuant to the First Concurrent Resolution on the Budget for fiscal year 1984, involving changes in Federal retirement benefits and civilian employee pay, Small Business Administration loan programs, and a summit conference for budget deficit reduction.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Office of Personnel Management	Approval
Department of Defense	Approval
Central Intelligence Agency	Approval
Department of State	No objection
Department of Justice	No objection (Informally)
Small Business Administration	Disapproval
Department of the Treasury	Would support recommendation of disapproval
Department of Agriculture	Cites serious concerns

Discussion

H.R. 4169, which was passed by voice vote in the House on October 25, 1983, was the first part of reconciliation legislation then under consideration for fiscal year 1984 (the second part was H.R. 4170, the Tax Reform Act of 1983, which then also included Medicare and Medicaid savings as well as tax changes).

A key provision of H.R. 4169 would skip the fiscal year 1984 cost-of-living adjustment (COLA) in the civil service retirement system, and change the timing and computation period of future COLAs in the system. Since the military retirement system and other civilian systems, such as Foreign Service retirement, are tied to the civil service system, this COLA change would apply to all of them.

This provision of H.R. 4169 was proposed by the Administration, consistent with COLA delays enacted for beneficiaries of other Government programs such as social security, supplemental security income, and veterans' pension and compensation.

Because, under current law, the 1984 COLA for Federal retirees is scheduled to take effect on May 1, 1984, prompt action was needed by the Congress if this COLA were to be delayed. Senator Baker asked me about timing, and after consulting with the Office of Personnel Management and the Treasury Department, I informed him that we needed the legislation in hand by April 14 to ensure that proper benefit amounts would be paid to the retirees. A delay beyond that date would result in numerous erroneous payments because of changed circumstances of beneficiaries. I urged early resolution of the COLA question and indicated the Administration's strong support for Senate passage of the legislation at the earliest possible date.

The Senate leadership asked for quick adoption of H.R. 4169 without any amendments, so the bill would not have to go to conference. The Senate passed the bill on April 5 by a vote of 67-26.

As indicated below, some of the provisions of H.R. 4169 are undesirable, notably an additional 1/2% pay raise for Federal employees and changes in Small Business Administration loan programs. The overriding consideration, however, was to secure timely enactment of the COLA change -- which will produce savings totaling \$1.1 billion for the two fiscal years 1984 and 1985.

#### Cost-of-living Adjustments (Title II)

Under current law, civilian and military retirees are entitled to a COLA in their annuities or retired pay effective in March of each year, based on the increase in the Consumer Price Index (CPI) over a specified time period. Public Law 97-235, the 1982 Omnibus Budget Reconciliation Act, temporarily changed the effective dates for COLAs for fiscal years 1983, 1984, and 1985 by delaying them by one, two, and three months, respectively. Thus, the 1983 COLA was effective in April, the COLA for 1984 was to be effective this May, and the COLA for 1985 was to be effective in June of that year.

H.R. 4169 would repeal the P.L. 97-235 COLA delays for 1984 and 1985, and provide, instead, that the May 1984 increase be effective in December 1984 (payable December 31, 1984, and January 1, 1985, respectively, to military and civilian retirees).

H.R. 4169 also would make December the effective date permanently for future COLAs for Federal annuitants. The amount of the COLA would be based on the change in the CPI between the third quarter of the preceding year and the same quarter of the year before that. These provisions put Federal retirement system COLAs on the same basis as social security COLAs.

As indicated earlier, the Federal retirement COLA changes -- which are part of the downpayment on reducing the budget deficit -- will save an estimated \$1.1 billion in 1984 and 1985. Through fiscal year 1989, the total savings are estimated at \$5.6 billion.

#### Pay Adjustment for Federal Employees (Title II)

White Collar Pay -- Last Fall, you recommended a pay increase of 3.5% for Federal employees, to be effective January 1, 1984, instead of October 1, 1983, (October 1 has been the usual date for adjusting white collar pay). A pay increase took effect as you recommended.

H.R. 4169 would grant white collar employees a 4% increase instead of 3.5%. White collar employees -- including individuals who are paid under the Senior Executive and Executive Schedules and Members of Congress -- would, therefore, receive a 1/2% pay increase retroactive to last January 1.

Blue Collar Pay -- Under current law, blue collar employee pay is adjusted at various times and in varying amounts throughout the year, according to the geographic wage area involved and the timing of wage surveys of local prevailing rates. The Continuing Resolution for Fiscal Year 1984, P.L. 98-151, provided that blue collar employees' 1984 pay adjustments would be held to the same amount as the pay raise white collar employees, and delayed the effective date of any blue collar pay adjustment throughout the year by 90 days, in order to be comparable with the 90-day delay in the white collar pay raise.

H.R. 4169 would grant blue collar employees the same increase from a 3.5% to 4% wage raise retroactive to last January that it provides for white collar employees. OPM believes that the 90-day delay in blue collar wage increases under P.L. 98-151 would not be affected by the enrolled bill, but states that substantial additional 1984 costs would result if this interpretation should be successfully challenged. OMB has serious doubts about OPM's interpretation on this point. ✓

Estimated costs of the added white and blue collar pay raise are \$140 million in 1984 and \$155 million in 1985.



### Small Business Administration (Title III)

H.R. 4169 includes a number of objectionable provisions related to the financial assistance programs of the Small Business Administration (SBA), which are explained below. These provisions have led SBA to recommend your disapproval of the bill, for reasons stated in its attached views letter and summarized below.

Disaster Loan Program -- The bill would extend until October 1, 1986, a requirement -- which expired on September 30, 1983 -- that as long as interest rates are substantially similar for disaster loans at SBA and the Farmers Home Administration (FmHA), farm enterprises must first seek disaster loan assistance from the FmHA before they are eligible to apply for such loans at SBA. At the same time, however, the bill would reduce the interest rate levels established for such SBA lending by the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), so that they would be below those of FmHA -- i.e., no longer "substantially similar." As a result, farm enterprises would once again be eligible for disaster loans at SBA. H.R. 4169 would authorize \$500 million annually (1984-1986) for SBA's disaster lending program.

H.R. 4169 would set maximum rates for these SBA loans at (a) 4% for homeowners and small businesses unable to obtain credit elsewhere and (b) 8% for homeowners and small businesses who could obtain credit elsewhere. These rates, when compared to today's market-level interest rates or to the cost of money to the Federal Government, represent substantial subsidies to recipients of SBA disaster loans.

Non-Physical Disaster Loan Program -- H.R. 4169 also would reauthorize SBA's non-physical disaster loan program and expand it to include loans to small businesses adversely affected by the Payment-in-Kind (PIK) program and currency (Mexican peso) devaluation. Only small businesses unable to obtain credit elsewhere are eligible for these loans, which are to be made at a rate not to exceed 8%. Although the bill would authorize \$100 million annually (1984-1986) for non-physical disaster loans, actual demand for such loans will likely exceed this amount.

### Domestic Economic Summit Conference for Deficit Reduction (Title IV)

H.R. 4169 would require the President to convene a domestic economic summit conference "to address the dangerous situation created by ... projected large deficits," and specifies that the conference is to consist of the President, the Speaker of the House, the President pro tempore of the Senate, the majority and minority leaders of the House and Senate, and "other appropriate participants from the Congress and the Executive branch responsible for the development of economic policy."

The bill would require the conference to develop and report to Congress a comprehensive plan to reduce the projected budget deficits no later than 45 days after enactment of the bill.

These obsolete provisions were, of course, written last year, and might have been deleted if there had not been a strong push for the Senate to pass H.R. 4169 quickly. The draft signing statement that we have attached for your consideration indicates your belief that the conference required by the bill has, for all practical purposes, already occurred, in light of the deficit reduction discussions held earlier this year, and made unnecessary because of the legislative proposals now under active consideration in the Congress.

### Recommendations

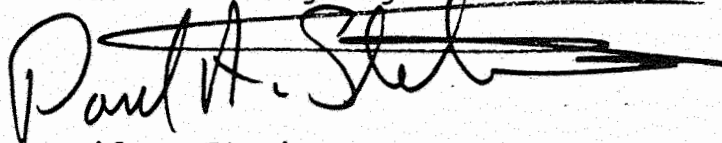
OPM, in its views letter, indicates its strong opposition to the unwarranted pay increases in the bill, but recommends approval because of the major, long-term savings resulting from the COLA changes.

SBA, in its enrolled bill views letter, strongly recommends that H.R. 4169 be vetoed. SBA believes that approval of H.R. 4169 would result in a demand for SBA disaster and non-physical disaster loans that would quickly reach the multi-billion-dollar level, and that the Congress would likely appropriate the funds needed to meet such demand. In addition, SBA is concerned about the sizable additional administrative complexities and its need for additional resources because of the bill. While recognizing that H.R. 4169 would result in cost-savings because of the delay in COLA for Federal retirees, SBA believes that the costs that would be incurred as a result of the SBA provisions would exceed such savings.

Agriculture and Treasury, while not recommending disapproval, share some of SBA's concerns about the enrolled bill.

Although I do not want to minimize the seriousness of SBA's concerns, I cannot agree with the veto recommendation. The savings to be achieved by the COLA delay are large and permanent, while the SBA lending programs would be authorized for only three fiscal years. With respect to the disaster loan program, the \$500 million annual authorization level is an improvement over past years when no such limit applied to this program, and it gives the Administration a much better opportunity to control the program through the authorization and appropriation processes. In addition, we will urge SBA to try to minimize costs through its implementing regulations. Nevertheless, it may prove necessary to propose legislation to modify or repeal the provisions governing these programs to avoid excessive Federal

expenditures. Concerns about the budget impacts of these provisions and the possible need to seek amendatory legislation at a later date are addressed in our draft signing statement.

A handwritten signature in black ink, appearing to read "David A. Stockman", is written over a horizontal line. The signature is stylized and somewhat cursive.

David A. Stockman  
Director

Enclosures

STATEMENT BY THE PRESIDENT

I have today approved H.R. 4169, the "Omnibus Budget Reconciliation Act of 1983."

A key provision of this bill, which is a vital part of the deficit reduction downpayment, is to shift the annual cost-of-living adjustments (COLAs) in Government retirement programs to the same timing and method of computation as is used in the social security system. In enacting this provision, which will produce budgetary savings of \$5.6 billion over fiscal years 1984-1989, we are asking Federal retirees to accept a delay in their next COLA payment until December 31, 1984 in the case of military retirees and January 1, 1985 for civilian retirees. A similar delay has already been enacted for persons receiving other Federal benefits such as social security, veterans' pensions and compensation, and supplemental security income.

To ensure timely, proper benefit payments to Federal retirees, action on the COLA delay must be taken immediately. That is why I am signing H.R. 4169 despite misgivings about other parts of this bill.

For example, the bill -- which was developed last year -- will increase from 3-1/2% to 4% the pay raise already granted to Federal civilian employees as of January, 1984. Although I consider this increase undesirable, the additional budgetary costs are far less than the savings that will be achieved from the COLA provision.

The bill also has an obsolete provision calling for a domestic economic summit conference consisting of the President, congressional leaders, and others responsible for economic policy development, to develop a comprehensive deficit reduction plan within 45 days. In light of the extensive discussions that have been held between the Executive branch and the Congress this year on ways to reduce the projected budget deficits, and the

believe we should view the required conference as having taken place and therefore unnecessary.

The most serious problem I have with H.R. 4169 concerns its amendments to loan programs of the Small Business Administration.

These amendments could result in unacceptably large increases in Federal budgetary costs unless both the Administration and the Congress are prepared to take steps necessary to avoid that contingency.

Specifically, by substantially lowering interest rates for SBA's disaster loans, H.R. 4169 will have the effect of making farm enterprises once again eligible for them instead of their relying on loans available from the Farmers Home Administration.

This reverses reforms that have resulted in significant budget savings in recent years. H.R. 4169 also reauthorizes a non-physical disaster lending program and expands it to authorize loans to small businesses adversely affected by the Payment-in-Kind (PIK) program and currency devaluations.

Although these programs are subject to ceilings on the total amount of loans that may be made, actual demand for such loans may well exceed those ceilings. I am, therefore, directing the Small Business Administration to control the costs associated with these programs to the maximum extent possible through its implementing regulations. In addition, if necessary to constrain the budgetary impact of these programs, the Administration will work with the Congress to enact appropriate modifications of the small business loan provisions.